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The Child Care and Development Block Grant: Background and Funding

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Summary

The Child Care and Development Block Grant (CCDBG) provides subsidies to assist low-income families in obtaining child care so that parents can work or participate in education or training activities. Discretionary funding for this program is authorized by the Child Care and Development Block Grant Act of 1990 (as amended), which is currently due for reauthorization. Mandatory funding for child care subsidies authorized in Section 418 of the Social Security Act (sometimes referred to as the "Child Care Entitlement to States") is also due for reauthorization. In combination, these two funding streams are commonly referred to as the Child Care and Development Fund (CCDF). The CCDF is the primary source of federal funding dedicated solely to child care subsidies for low-income working and welfare families.

The CCDF is administered by the Office of Child Care at the U.S. Department of Health and Human Services (HHS), and provides block grants to states, according to a formula, which are used to subsidize the child care expenses of working families with children under age 13. In addition to providing funding for child care services, funds are also used for activities intended to improve the overall quality and supply of child care for families in general.

In recent years, both Congress and the Obama Administration have demonstrated an interest in reauthorizing or otherwise reforming the CCDF. On September 15, 2014, the House approved, by voice vote, the Child Care and Development Block Grant Act of 2014 (S. 1086, as amended). This bill would reauthorize the CCDBG Act through FY2020. It is an amended version of the CCDBG reauthorization bill (S. 1086, S.Rept. 113-138) that was approved by the Senate last March, by a vote of 96-2. Previously, in May 2013, HHS issued a proposed rule intended to overhaul existing regulations on the CCDF. A final rule has not yet been published.

Discretionary child care funds are subject to the annual appropriations process. Congress did not enact FY2014 appropriations prior to the start of the fiscal year on October 1, 2013. This resulted in a funding gap and 16-day shutdown of the federal government. Subsequently, two short-term continuing resolutions (P.L. 113-46, P.L. 113-73) provided discretionary funding for the CCDBG until January 17, when the President signed into law a full-year consolidated appropriations act (P.L. 113-76). This law provided $2.360 billion in discretionary CCDBG funding for FY2014, which was reduced to $2.358 billion due to transfers within HHS. This funding level is about 7% more than the discretionary CCDBG's post-sequester FY2013 operating level of $2.206 billion and nearly 5% less than the FY2014 President's Budget request of $2.478 billion.

Mandatory child care funds are not typically included in annual appropriation bills. Mandatory funds were directly appropriated (or pre-appropriated) for fiscal years 1997 through 2002 by the 1996 welfare reform law (P.L. 104-193), which created the mandatory component of the CCDF. Temporary extensions provided mandatory CCDF funding into FY2006. On February 8, 2006, a budget reconciliation bill was enacted into law (P.L. 109-171), increasing mandatory child care funding by $1 billion over five years (for a total of $2.917 billion for each of FY2006-FY2010). The authorization and pre-appropriations for mandatory child care funding were set to expire at the end of FY2010, but a series of six short-term extensions maintained mandatory child care funding at the same level ($2.917 billion) for FY2011-FY2013. Congress did not extend mandatory child care funding prior to the 16-day federal shutdown at the beginning of FY2014. However, mandatory child care funding has since been restored at the $2.917 billion level via temporary extensions, the most recent of which (in P.L. 113-76) provides mandatory child care funding through the end of FY2014.

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Introduction

The Child Care and Development Block Grant (CCDBG) provides subsidies to assist low-income families in obtaining child care so that parents can work or participate in education or training activities. Discretionary funding for this program is authorized by the CCDBG Act, which is currently due for reauthorization. Mandatory funding for child care subsidies, authorized in Section 418 of the Social Security Act (sometimes referred to as the "Child Care Entitlement to States"), is also due for reauthorization. In combination, these two funding streams are commonly referred to as the Child Care and Development Fund (CCDF). While this term is not found in statute, it can serve as a useful catch-all when discussing the complex financing structure underlying federal support directly targeted to child care subsidies. For the purposes of this report, the term CCDBG will refer specifically to the discretionary funding stream, while the term CCDF will refer to the jointly administered funding streams.

The CCDF is administered by the Department of Health and Human Services (HHS) and provides block grants to states, according to a formula, which are used to subsidize the child care expenses of working families with children under age 13. In addition to providing funding for child care services, funds are also used for activities intended to improve the overall quality and supply of child care for families in general. The CCDF is the primary source of federal funding dedicated solely to child care subsidies for low-income working and welfare families.[1] The FY2014 funding level for the CCDF is nearly $5.3 billion, which includes about $2.4 billion in discretionary funds and $2.9 billion in mandatory funds.

A Brief Legislative History

The current structure of federal child care programs and funding is most easily understood by tracing its evolution from the system that existed prior to 1996, when the welfare reform law (P.L. 104-193) simultaneously repealed, created, and consolidated federal child care programs (see **Figure 1**).

Child Care Programs Prior to 1996

Before 1996, four separate federal programs specifically supported child care for low-income families. Three were associated with the cash welfare system, then Aid to Families with Dependent Children (AFDC). At that time, families on AFDC were entitled to free child care. In addition, families who had left the AFDC rolls with employment were entitled to 12 months of "transitional" subsidized child care. The third AFDC-related child care program targeted families who, without a child care subsidy, would be "at risk" of qualifying for AFDC. These three programs operated under three separate sets of rules, and targeted three separate populations. Critics argued that mothers navigating their way through the welfare system faced unnecessary complexity that could be alleviated with a more unified child care program.

All three of the AFDC-related child care programs were funded with mandatory money, and fell under the same congressional committee jurisdiction (the Ways and Means Committee in the House, and the Finance Committee in the Senate). AFDC Child Care and Transitional Child Care were both open-ended federal entitlements (i.e., there was no limit on program funding), with the federal share of payments to states based on the state's Medicaid matching rate. The AFDC At-

[1] The second-largest source of federal support for child care is the Dependent Care Tax Credit, which is a nonrefundable tax credit used to offset some of the child care expenses of working families with children under 13.

Risk program, on the other hand, was not open-ended, but was instead authorized as a "capped entitlement" to the states at an annual level of $300 million.

The fourth pre-1996 child care program for low-income families was the CCDBG. Established in the CCDBG Act of 1990 (a component of the Omnibus Budget Reconciliation Act, P.L. 101-508), the CCDBG was designed to support child care for low-income families who were not connected to the AFDC welfare system. The CCDBG subsidized child care for children under age 13 whose working family income did not exceed 75% of state median income (SMI), adjusted for family size. In addition, it provided funds for activities to improve the overall quality and supply of child care. Unlike the AFDC-related programs, the CCDBG was funded with discretionary funds appropriated as part of the annual appropriations process. Authorizing legislation fell under the jurisdiction of the Education and Labor Committee in the House (later renamed the Committee on Education and the Workforce) and the Labor and Human Resources Committee in the Senate (later renamed the Committee on Health, Education, Labor and Pensions).

Child Care Reforms of 1996

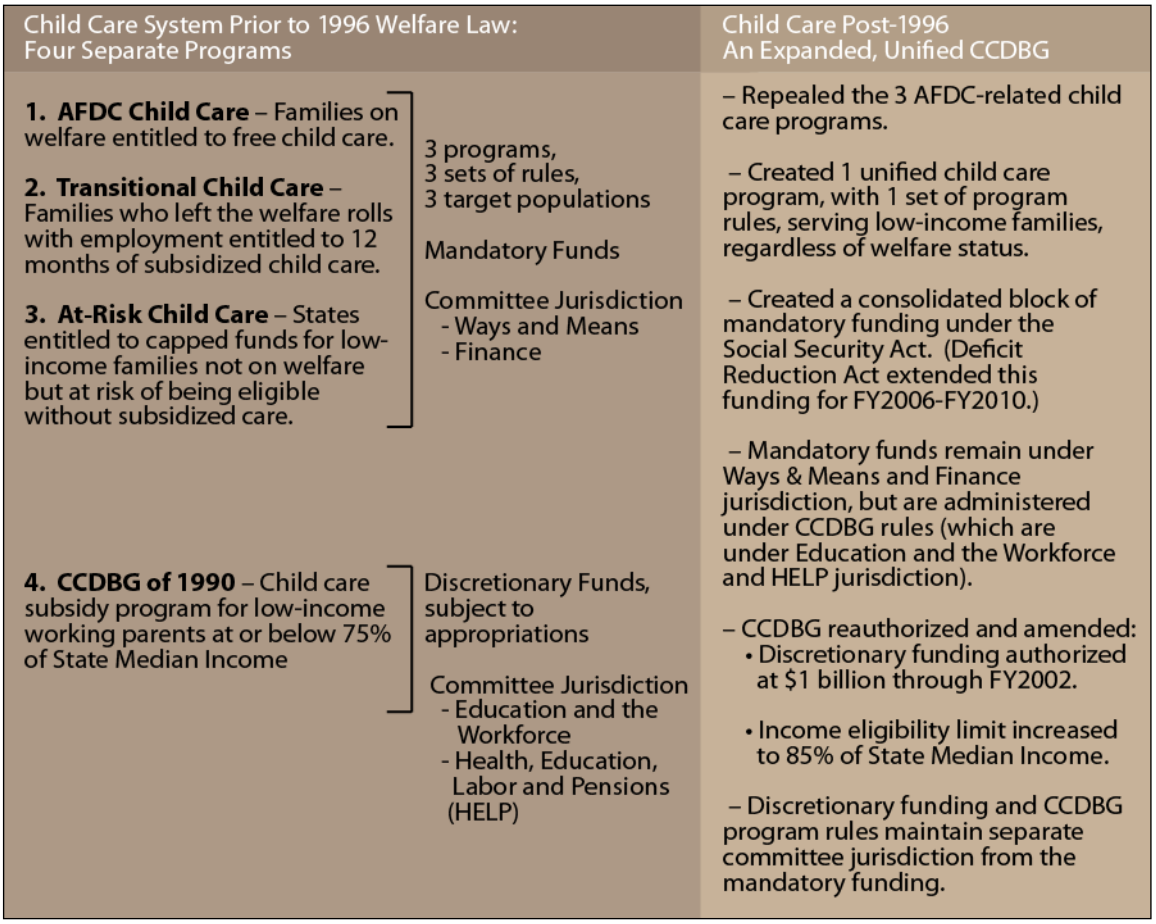
The 1996 welfare reform law (P.L. 104-193) repealed AFDC and its three associated child care programs. Like cash welfare, child care was no longer an individual entitlement to welfare families. Instead of preserving three separate programs, the new law created a consolidated block of mandatory funding under Section 418 of the Social Security Act. Like the earlier three programs, this new block of funding was largely targeted toward families on, leaving, or at risk of receiving welfare (now Temporary Assistance for Needy Families, or TANF).[2] However, unlike the three AFDC-related child care programs, each of which was administered under its own set of rules, the 1996 law instructed that the new mandatory funding be transferred to each state's lead agency managing the CCDBG, and be administered according to CCDBG rules. The law authorized and appropriated funding for the new mandatory child care program through FY2002.

In addition to creating the new block of mandatory child care funding, the 1996 welfare reform law reauthorized the CCDBG through FY2002. This law also substantially amended the CCDBG by modifying program rules such as income eligibility requirements, which were expanded from 75% of SMI (under pre-1996 law) to 85% of SMI (under the 1996 law).

The child care provisions in the 1996 law were designed to achieve several purposes. As a component of welfare reform, the child care provisions were intended to support the overall goal of promoting self-sufficiency through work. However, separate from the context of welfare reform, the legislation attempted to address concerns about the effectiveness and efficiency of child care programs. The previous four separate child care programs (the original CCDBG and the three AFDC programs) had different rules regarding eligibility, time limits on the receipt of assistance, and work requirements. Consistent with other block grant proposals considered in the 104th Congress, the child care provisions in P.L. 104-193 were intended to streamline the federal role, reduce the number of federal programs and conflicting rules, and increase the flexibility provided to states.

[2] Section 418 of the Social Security Act requires that states spend at least 70% of their mandatory child care funds on families receiving TANF assistance, families attempting to transition from TANF to work, or those "at-risk" of welfare dependency. However, because the at-risk group is not defined as a distinct group from other working poor families (the targeted group for CCDBG discretionary funds), the 70% target could, in practice, be met by spending all funds on low-income working families with no connection to TANF (i.e., the requirement could be met by spending all of the "earmarked" funds on "at-risk" families).

Figure 1. Child Care Programs Before and After Welfare Reform in 1996



Source: Prepared by the Congressional Research Service (CRS).

Authorization Status of Child Care Programs

The CCDBG Act has not been reauthorized since the 1996 welfare reform law (P.L. 104-193), which authorized the program through the end of FY2002. Although the program's authorization has expired, the CCDBG has continued to receive discretionary funding in each year since FY2002 through the annual appropriations process. Over the years, Congress has undertaken a number of efforts to reauthorize the CCDBG Act (e.g., H.R. 4 and S. 880 from the 108th Congress, and H.R. 240 and S. 525 from the 109th Congress). More recently, both the House and Senate have approved CCDBG reauthorization bills in FY2014. For more information, see the section on "Recent CCDBG Reauthorization Efforts."

The 1996 welfare reform law (P.L. 104-193) authorized and directly appropriated (or pre-appropriated) mandatory child care funding for each of FY1997 through FY2002. Temporary extensions provided mandatory child care funding into FY2006, when a spending budget reconciliation bill was enacted into law (P.L. 109-171), reauthorizing and increasing mandatory child care funding by $1 billion over five years (for a total amount of $2.917 billion for each of FY2006 to FY2010). The authorization and pre-appropriations for mandatory child care funding were set to expire at the end of FY2010, but a series of short-term extensions maintained mandatory child care funding at the same level ($2.917 billion) for FY2011-FY2013. No extension legislation was enacted prior to the start of FY2014, resulting in a 16-day funding gap.

However, mandatory child care funding has since been restored at the $2.917 billion level via temporary extensions, the most recent of which (in P.L. 113-76) provides mandatory child care funding through the end of FY2014.

Recent CCDBG Reauthorization Efforts

On September 15, 2014, the House approved the Child Care and Development Block Grant Act of 2014 (S. 1086, as amended) by voice vote. This is an amended version of the CCDBG reauthorization bill that was agreed to in the Senate, by a vote of 96-2, on March 13, 2014 (S. 1086, S.Rept. 113-138). The Senate would need to approve the amended bill as is, in order for it to be presented to the President for signature.

Both the House- and Senate-passed versions of S. 1086 would reauthorize the CCDBG through FY2020. While the Senate version would authorize appropriations at "such sums as may be necessary," the House version would authorize specific appropriations levels for each year, increasing from $2.360 billion in FY2015 to $2.759 billion in FY2020. Both versions of the bill would significantly amend the CCDBG Act, adding new requirements related to state health and safety standards, pre-licensure and annual unannounced on-site monitoring visits for certain child care providers, criminal background checks and professional development for child care providers, activities to improve the quality and availability of child care, continuity of care for participating children, and increased consumer education for parents and the public.

Recent HHS Regulatory Proposal

On May 20, 2013, HHS published a Notice of Proposed Rulemaking (NPRM) in the *Federal Register*.[3] The proposed rule would provide a comprehensive update of CCDF regulations, which were first published in 1998. The proposed rule calls for changes to current regulatory policy related to state health and safety standards, state monitoring practices, consumer education for parents, linking payment rates to quality of care, continuity of care, state contracts for direct services, and program integrity and accountability.[4] The public comment period on the NPRM ended on August 23, 2013.[5] HHS is required to take all comments into consideration before publishing a final rule.

HHS Office of Child Care

At the federal level, the CCDF is administered by the Administration for Children and Families (ACF) within HHS. In October 2010, HHS announced the creation of a new Office of Child Care at ACF with responsibility for administering the CCDF. The office reports directly to the Assistant Secretary for Children and Families. According to an ACF press release, this reorganization was intended to "elevate child care issues within ACF" and to "facilitate direct collaboration" with other key early childhood programs and agencies (e.g., Head Start).[6] In the

[3] U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Care, "Child Care and Development Fund (CCDF) Program," 78 *Federal Register* 2944-29498, May 20, 2013, http://www.gpo.gov/fdsys/pkg/FR-2013-05-20/pdf/2013-11673.pdf .

[4] Additional resources on the NPRM are available at http://www.acf.hhs.gov/programs/occ/child-care-rule.

[5] The initial comment period was scheduled to end on August 5, 2013, but was later extended. Public comments on the rule can be found at http://www.regulations.gov/#!docketBrowser;rpp=25;po=25;dct=PS;D=ACF-2013-0001.

[6] HHS Press Release, October 4, 2010, http://www.acf.hhs.gov/press/acf-announces-new-office-of-child-care.

press release, then-Acting Assistant Secretary for Children and Families David A. Hansell noted that early childhood development is a "key priority" for the Obama Administration. Hansell stated, "The creation of an Office of Child Care will strengthen the quality of child care and maximize the program's effectiveness in achieving its dual goals of supporting employment for low-income families and promoting healthy development and school success for children."[7]

Prior to the October 2010 reorganization, the CCDF was administered by the Child Care Bureau as a subcomponent of the larger Office of Family Assistance at ACF, which administers the federal TANF program. The Child Care Bureau had been part of the Office of Family Assistance since 2006. When moving the Child Care Bureau into the Office of Family Assistance in 2006, an ACF publication noted that this organizational decision reflected the "close coordination necessary" between child care programs and TANF.[8] Previously, the Child Care Bureau had been part of the Administration for Children, Youth, and Families (ACYF) since 1995.

Program Rules and Benefits

Federal law requires states to designate a lead agency to administer the CCDF. The responsibilities of the lead agency are to administer federal funds, develop a state plan, and coordinate services with other federal, state, or local child care and early childhood development programs. States have tremendous flexibility in the design and operation of their child care policies, but federal law establishes program goals and a set of requirements that states must meet in order to receive CCDF funds.

Goals

The 1996 law established five goals for the CCDF. They include (1) allowing states maximum flexibility in developing their child care programs; (2) promoting parental choice; (3) encouraging states to provide consumer education information to parents; (4) helping states to provide child care to parents trying to become independent of public assistance; and (5) helping states to implement health, safety, licensing, and registration standards established in state regulations.

Eligible Children and Families

Federal law states that children eligible for services under the CCDF are those whose family income does not exceed 85% of the state median. However, states have the discretion to adopt income eligibility limits below this federal maximum, and generally do. At the beginning of FY2013, initial income eligibility estimates for a family of three were expected to range from about 35% to 83% of SMI, depending on the state.[9] Because child care funding is not an entitlement for individuals, states are not required to aid families even if their incomes fall below the state-determined eligibility threshold. Federal law does, however, require states to give priority to families defined in their state plan as "very low income."

To be eligible for CCDF funds, children must be less than 13 years old and be living with parents who are working or enrolled in school or training, or be in need of protective services. States

[7] Ibid.

[8] Children's Bureau Express, Vol. 7, No. 4, May 2006, http://cbexpress.acf.hhs.gov/index.cfm?event=website.viewArticles&issueid=74&sectionid=1&articleid=1141.

[9] Congressional Research Service analysis of income eligibility estimates reported in Sarah Minton, Christin Durham, Erika Huber, and Linda Giannarelli, *The CCDF Policies Database Book of Tables: Key Cross-State Variations in CCDF Policies as of October 1, 2012*, OPRE Report 2013-22, November 2013.

must use at least 70% of their total mandatory CCDF funds for child care services for families who are receiving public assistance under TANF, families who are trying to become independent of TANF through work activities, and/or families who are at risk of becoming dependent on public assistance. In their state plans, states must demonstrate how they will meet the specific child care needs of these families. Of their remaining child care funds (including discretionary CCDBG funds), states must ensure that a substantial portion is used for child care services to eligible families other than welfare recipients or families at risk of welfare dependency.

Preliminary HHS program data (the most recent available) indicate that about 1.5 million children received child care subsidies funded by the CCDF in an average month in FY2012.[10] This would represent a decrease of about 116,400 children (-7%) compared to FY2011, should the preliminary FY2012 report hold constant after all data are finalized.[11]

Methods of Payment for Child Care Subsidies

Parents of children eligible to receive subsidized child care must be given maximum choice in selecting a child care provider. Parents must be offered the option to enroll their child with a provider that has a grant or contract with the state to provide such services—to the extent that such services are available[12]—or parents may receive a certificate that can be used to purchase child care from a provider of the parents' choice. A child care certificate (also sometimes referred to as a voucher) is an authorization form, letter, voucher, or other disbursement document authorizing child care payments for the provider of the parents' choice. The certificate may be in the form of a check or other disbursement directly to the parent, but must be used for child care services only. Under limited circumstances, payments can also be provided in the form of cash. The 1996 law expanded the definition of "child care certificate" to allow the vouchers or disbursements to be used as a deposit for child care services, if such deposits are required for other children cared for by the same provider.

Parental Co-payments

The CCDBG Act generally requires that families contribute to the cost of care on a sliding fee scale basis. However, federal regulations allow states to waive child care fees for families with incomes at or below the poverty guidelines. In addition, federal regulations allow states to waive, on a case-by-case basis, contributions from eligible families whose children are in protective services or in foster care (or whose children may need such services). HHS has suggested that a family's fee should be no more than 10% of its income.[13] States may use this 10% limit as a guide in deciding the amount of the fee, but are not required to do so. Federal statute requires that states take family size and income into account when establishing co-payments, but states may also take other factors into account, such as the number of children in care, whether care is full-time or part-time, or cost of care. States have flexibility in establishing rules for counting income.

[10] CCDF administrative data are available online at http://www.acf.hhs.gov/programs/occ/resource/ccdf-statistics.

[11] See Table 1 of the preliminary FY2012 CCDF data tables and Table 1 of the Final FY2011 data tables, both available online at http://www.acf.hhs.gov/programs/occ/resource/ccdf-statistics.

[12] 45 C.F.R. §98.30(a)(1) states that a grant or contracted child care slot must be offered to parents "if such services are available." However, 45 C.F.R. §98.30(a)(2) requires that parents be offered a child care certificate (or voucher) "any time that child care services are made available to a parent."

[13] U.S. Department of Health and Human Services, Administration for Children and Families, 63 *Federal Register* 39960, July 24, 1998.

Provider Payment Rates

States must establish payment rates for child care services that are sufficient to ensure equal access for eligible children to comparable child care services provided to children whose families are not eligible for subsidies. Essentially, payment rates are reimbursement rate ceilings (that is, the maximum rate providers can receive for child care services through CCDF). Providers are paid either the state's established payment rate (i.e., reimbursement rate ceiling) or the actual fee that providers charge to nonsubsidized parents, whichever is the lesser of the two. When determining payment rates, states are not required to consider variations in costs based on child care settings, age groups, and special needs (this was required prior to the 1996 law); however many state plans do link payment rates to such characteristics and/or to regional variation. Some state plans also link payment rates to quality of care provided. That is, some states may pay a higher rate to a provider with a better quality rating than they pay to providers who fail to meet specified quality standards.[14]

States are required to conduct a local market rate survey every two years to assess the price of child care being charged. Federal regulations suggest that states establish payment rates equal to at least the 75th percentile of the market rate to ensure equal access for eligible families. (That is, HHS recommends that states set their payment rate ceiling at a level that, on average, equals or exceeds the rate charged by three out of every four providers who responded to the local market rate survey.) However, federal law does not require that payments be set at this rate, nor that states use the most current market survey when setting rates. Instead, states must include a summary of the facts they used in determining the sufficiency of their payment rates to ensure equal access when they submit their state plans. Traditionally, state payment rates vary based on setting, age of child, and other characteristics. In addition, many states use tiered reimbursement systems, meaning that they issue higher reimbursement rates to providers based on certain criteria, such as meeting high quality standards, offering care during non-traditional hours, or serving special populations.

Activities to Improve Child Care Quality and Availability

Federal law requires that no less than 4% of expenditures made from states' CCDF allotments (discretionary and mandatory) be spent on activities designed to (1) provide consumer education to parents and the public, (2) increase parental choice, and (3) otherwise improve the quality and availability of child care (such as resource and referral services). States use quality funds for a variety of activities, including professional development, licensing and monitoring, and improving provider compensation. In addition, federal appropriations frequently target portions of discretionary CCDBG funds toward quality improvement activities, including specific quality set-asides in areas such as infant and toddler care, school-aged child care, and child care resource and referral services.

Limitations on Use of Funds

Although the CCDF is a fairly flexible funding source for states, there are some limitations on use of funds. For instance, federal law and regulations prohibit states from expending more than 5% of aggregate CCDF funds from each fiscal year's allotment on administrative costs. However,

[14] For example, North Carolina has a five-star rated license system for child care facilities based on program standards and staff education. Each star level is associated with a different market rate, and as providers increase their star rating they qualify for higher payment rates. For more information, see the state's CCDF state plan for FY2014-FY2015, available online at http://ncchildcare.nc.gov/general/mb_snapshot.asp#CCDF.

regulations also specify that costs considered to be an "integral part of service delivery" should be excluded from the 5% administrative cap. These activities include eligibility determination (and redetermination), the establishment and maintenance of computerized child care information systems, and determination of erroneous payments (including case reviews and the preparation of error rate reports).

In addition, the CCDBG Act prohibits the use of federal funds for the purchase or improvement of land or buildings, with a limited exception for sectarian organizations. The amendments of 1996 also added an exception for Indian tribes and tribal organizations with respect to construction, though this is subject to the Secretary's approval. Finally, the law states that, in general, no federal CCDF funds may be used for any sectarian purpose or activity, including sectarian worship or instruction (more detail on this in the section on "Religious Providers").

State Application and Plan

To receive federal funding for child care, states must submit an application and plan to HHS. After an initial three-year plan, required by the original CCDBG Act in 1990, states are now required to submit plans that cover a two-year period. State plans include detailed information on many components of CCDF program administration, including state decisions about child and family income eligibility criteria, state priorities in children served, sliding fee scales, provider payment rates, and specific quality improvement initiatives. In addition, state plans must certify or assure that their programs will include certain elements related to parental choice, parental access, parental complaints, consumer education information, licensing and regulation, and health and safety requirements.

In 2011, HHS issued a new state plan "preprint" (i.e., the form used by states to meet biennial application and plan requirements) that included major changes in structure and content compared to prior years.[15] These changes have generally been maintained in subsequent preprints.[16] The preprints are now divided into three main sections: (1) Administration (e.g., roles and responsibilities at the state level), (2) CCDF Subsidy Program Administration (e.g., state rules governing the subsidy program, including eligibility criteria and payment rates), and (3) Health and Safety and Quality Improvement Activities.

The changes initiated in 2011 also required states to conduct a detailed self-assessment and goal-setting process in four "component" areas: (1) licensing and health and safety standards, (2) early learning guidelines, (3) quality improvement activities, and (4) professional development systems and workforce initiatives. As part of this process, states were required to identify goals in the four component areas and report on progress toward achieving these goals in an annual Quality Performance Report (QPR). The first round of QPRs (on activities conducted in FY2012) were due to HHS on December 31, 2012.[17] FY2013 QPRs were due in December 2013.

[15] The FY2012-FY2013 CCDF Plan Preprint and the accompanying instructions and guidance can be found in ACF-PI-2011-03, issued on June 10, 2011, http://www.acf.hhs.gov/programs/occ/resource/pi-2011-03.

[16] The FY2014-FY2015 CCDF Plan Preprint and related resources can be found at http://www.acf.hhs.gov/programs/occ/resource/ccdf-acf-pi-2013-02.

[17] A summary of FY2012 QPR data can be found at http://www.acf.hhs.gov/programs/occ/news/first-look-at-fy-2012-qpr-data.

Parental Choice

Parents of children eligible to receive subsidized child care must be given the option to enroll their child with a provider that has a grant or contract with the state program to provide such services (when available),[18] or to receive a child care certificate or voucher that can be used with a provider of the parents' choice. State plans must include a detailed description of how this parental choice provision is implemented. In addition, they must assure that the value of child care certificates will be commensurate with the subsidy value of child care services provided under a grant or contract, and that their payment rates for all subsidies will be sufficient to ensure equal access for eligible children to comparable child care services provided to children whose families are not eligible for subsidies. States may not significantly restrict parental choice among the various types of child care providers, which range from child care centers to family homes. Under the CCDBG Act, eligible child care providers can include individuals, age 18 and older, who provide child care services for their grandchildren, great grandchildren, siblings (if the provider lives in a separate residence), nieces, or nephews.

In recent years, some questions have arisen about how parental choice protections in the CCDBG Act interact with certain state initiatives that may require child care providers who receive federal subsidies to meet minimum quality standards. Such requirements may be wrapped into state Quality Rating and Improvement Systems (QRIS), which are used by a growing number of states to systematically assess, improve, and communicate about the quality of early childhood care and education programs (see additional information on such systems in the section of this report entitled "Quality Rating and Improvement Systems"). For instance, a state might require child care providers to meet a specified minimum QRIS score in order to be eligible to receive CCDF subsidies. In January 2011, in response to concerns about whether such policies might interfere with parental choice protections, HHS issued a program instruction on parental choice and QRIS initiatives.[19] The program instruction stated that HHS would not consider parental choice requirements violated by such policies unless a given state's policy "significantly restricts or will clearly have the effect of restricting parental choice." However, HHS also reiterated that state CCDF lead agencies must continue to ensure that families are able to choose from providers of all types and in all settings.[20]

Parental Access

States must have procedures to ensure that child care providers receiving subsidies will give parents unlimited access to their children and to providers while the children are in care. State plans must include a detailed description of these procedures.

[18] 45 C.F.R. §98.30(a)(1) states that a grant or contracted child care slot must be offered to parents "if such services are available." However, 45 C.F.R. §98.30(a)(2) requires that parents be offered a child care certificate (or voucher) "any time that child care services are made available to a parent."

[19] U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Care, Program Instruction CCDF-ACF-PIQ-2011-01, January 1, 2011, http://www.acf.hhs.gov/programs/occ/resource/piq-2011-01.

[20] The HHS Program Instruction (CCDF-ACF-PI-2011-01) gives the following example: "a Lead Agency may implement a quality improvement system that incorporates only licensed center-based and family child care providers. In cases where a parent selects a center-based or family child care provider, the State may require that the provider meet a specified level or rating within its quality improvement system. However, the policy must also allow parents to choose other categories and types of child care providers that may not be eligible to participate in the quality improvement system."

Parental Complaints

States are required to maintain a record of substantiated complaints made by parents, and to make information about these complaints publicly available upon request. The state plan must include a detailed description of how this record is maintained and made available.

Consumer Education Information

Under the CCDBG Act, states must collect and disseminate, to parents of eligible children and to the general public, consumer education information that will promote informed child care choices. At a minimum, the information must include information about the full range of providers available, and health and safety requirements.

Licensing and Regulation

States must have in effect licensing requirements applicable to child care services provided within the state, and state plans must include a detailed description of these requirements and how they are effectively enforced. Federal law does not dictate what these licensing requirements should be or what types of providers they should cover. The 1996 law specifies that this provision shall not be construed to require that licensing requirements be applied to specific types of providers. The conference report on the 1996 law further states that the legislation is not intended to either prohibit or require states to differentiate between federally subsidized child care and nonsubsidized child care with regard to the application of specific standards and regulations.

Health and Safety Requirements

States must have in effect, under state or local law, health and safety requirements that are applicable to child care providers; and states must have procedures in effect to ensure that subsidized child care providers (including those receiving child care certificates) comply with applicable health and safety requirements. States must have health and safety requirements in the following areas: prevention and control of infectious diseases (including immunization), building and physical premises safety, and health and safety training. In addition, state plans must assure that children receiving services under the CCDF are age-appropriately immunized, and that the health and safety provisions regarding immunizations incorporate (by reference or otherwise) the latest recommendation for childhood immunizations of the state public health agency.

Criminal Background Checks for Child Care Providers

Current CCDF law and regulations do not explicitly require that criminal background checks be included as part of a state's health and safety requirements. However, on September 20, 2011, HHS released an information memorandum recommending that all CCDF lead agencies institute comprehensive criminal background checks for child care providers receiving CCDF subsidies, as part of their minimum health and safety requirements.[21] The memorandum characterizes a "comprehensive" criminal background check as one that includes (1) fingerprints checks of state criminal history records; (2) fingerprints checks of Federal Bureau of Investigation (FBI) criminal history records; (3) checks of state child abuse and neglect registries; and (4) checks of sex offender registries. Separately, tribal lead agencies for the CCDF may be subject to certain

[21] U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Care, Information Memorandum CCDF-ACF-IM-2011-05, September 20, 2011, http://www.acf.hhs.gov/programs/occ/resource/im2011-05.

requirements in the Indian Child Protection and Family Violence Prevention Act (ICFVP). This law requires background checks for federal and tribal agency employees who have regular contact with, or control over, American Indian children.

In practice, all states subject certain child care providers to some type of background check. However, there is great variation across states in terms of which providers are required to undergo background checks (e.g., center-based staff, staff in child care family homes, relative caregivers) and in terms of the stringency of the background check that is required (e.g., child abuse registry check, state or federal fingerprint check, FBI background check). For instance, HHS reported that as of February 2012, 40 states and territories required FBI fingerprint checks for center-based child care providers, while only 31 states and territories required such checks for providers in group child care homes.[22]

On September 19, 2011, before HHS issued the information memorandum on background checks, the Government Accountability Office (GAO) released a report on federal and state laws related to the employment of sex offenders at child care facilities.[23] This report also examined 10 cases in which individuals who had been convicted of serious sexual offenses were subsequently employed or present at child care facilities. GAO found that in at least seven of these cases, the offenders used their access to child care facilities to offend again. (GAO notes that these cases focus only on individuals who were convicted of serious sexual offenses and cannot be generalized to all child care facilities.)

In recent years, Congress has demonstrated some interest in requiring criminal background checks for certain child care providers. For instance, several related bills with related provisions were introduced in the 113th Congress, including H.R. 1925, S. 624, S. 1086.

Restriction Against Supplanting State Funds

HHS requires states to assure that discretionary CCDBG funds will be used to supplement, not supplant, state general revenue funds for child care assistance for low-income families. While this is not a requirement in the CCDBG Act or accompanying regulations, federal appropriation laws typically make this stipulation. For instance, this stipulation was included in the FY2014 Consolidated Appropriations Act (P.L. 113-76).

Funding[24]

Discretionary CCDBG funds are subject to the annual appropriations process. The 1996 amendments to the CCDBG Act authorized funding through FY2002 at an annual authorization level of $1 billion. Actual appropriations have typically surpassed the authorized level, most recently reaching roughly $2.358 billion for FY2014 (see **Table 1**). In years since FY2002, appropriations have been made without an authorization level.

Meanwhile, the 1996 welfare reform law provided pre-appropriated mandatory CCDF funding to states from FY1997 to FY2002. The annual amounts of mandatory funding were $1.967 billion in FY1997; $2.067 billion in FY1998; $2.167 billion in FY1999; $2.367 in FY2000; $2.567 billion in FY2001; and $2.717 billion in FY2002. Because these funds were directly appropriated by the

[22] Ibid. (See updated data in Appendix A.)

[23] U.S. Government Accountability Office, *Child Care: Overview of Relevant Employment Laws and Cases of Sex Offenders at Child Care Facilities*, GAO-11-757, August 19, 2010, http://www.gao.gov/assets/330/322722.pdf.

[24] For a detailed discussion of child care funding history and the financing of the CCDF, see CRS Report RL31274, *Child Care: Funding and Spending under Federal Block Grants*, by Melinda Gish.

welfare reform law, the mandatory CCDF funding does not generally go through the annual appropriations process. Mandatory CCDF funding was provided through FY2005 (at the FY2002 rate of $2.717 billion annually) via a series of extensions; welfare reauthorization legislation was debated in each of these years, without reaching fruition. Finally, on February 8, 2006, a budget reconciliation bill (S. 1932, the Deficit Reduction Act), which included mandatory child care funding provisions, was passed into law (P.L. 109-171). The law pre-appropriated $2.917 billion annually for each of FY2006-FY2010. Since FY2010, mandatory funds have again been provided through a series of extensions, as discussed throughout this section.

The remainder of this section provides a detailed funding history for FY2013-FY2015, a summary of the American Recovery and Reinvestment Act of 2009 (ARRA), and a brief overview of other notable CCDF funding issues from FY1997 forward. **Table 1** shows the amounts provided in discretionary and mandatory funding for each of FY1997-FY2014.

FY2015 Appropriations Status

On June 10, 2014, the Senate Appropriations Subcommittee for the Departments of Labor, HHS, Education, and Related Agencies (L-HHS-ED) approved an FY2015 appropriations bill by voice vote. The bill has not been marked up by the full committee. However, on July 23, the Senate Appropriations Committee released a copy of the subcommittee-approved bill and draft subcommittee report. These materials indicate that the subcommittee-approved bill would provide $2.458 billion in discretionary CCDBG funding. The House Appropriations Committee has not taken action on an FY2015 L-HHS-ED appropriations bill.

FY2015 President's Budget

Proposed Discretionary and Mandatory Funding Levels

On March 4, 2014, the Obama Administration released its initial FY2015 budget materials, requesting $2.417 billion for the discretionary CCDBG, an increase of $59 million (+2.5%) from the final FY2014 funding level of $2.358 billion. The FY2015 President's Budget proposed to maintain funding set-asides typically provided within CCDBG appropriations (e.g., child care resource and referral and school-aged child care activities, a national toll-free hotline and website, and other quality activities, including those to improve the quality of care for infants and toddlers). In addition, the FY2015 President's Budget proposed to reserve $200 million for new formula state grants to improve the quality of child care, including the child care workforce and measures of health and safety.

The FY2015 President's Budget also requested a $750 million (+26%) increase in mandatory child care funds, for a proposed FY2015 mandatory funding level of $3.667 billion. Combined, the discretionary and mandatory funding levels requested in the FY2015 President's Budget totaled $6.084 billion, an increase of $809 million (+15%) from FY2014 actual. HHS estimated that this combined funding level would be sufficient for the CCDF to serve roughly 1.4 million children in FY2015.[25] Notably, the FY2015 President's Budget called for additional increases in

[25] U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF), FY2014 Justification of Estimates for the Appropriations Committees, p. 50, https://www.acf.hhs.gov/sites/default/files/olab/sec2c_ccdbg_2014cj.pdf (cited hereinafter as FY2014 ACF Congressional Justification).

mandatory CCDF funds in future years, reaching an annual funding level of $5.917 billion by FY2024.[26]

Reauthorization Proposal

The FY2015 President's Budget called for a reauthorization of the mandatory and discretionary CCDF funding streams, with the following broad principles for reform:

- strengthen health and safety standards and monitoring of child care providers,
- improve the quality of early childhood and afterschool settings,
- serve more low-income children in high-quality programs,
- support parent employment and parental choice,
- promote continuity of care,
- strengthen program integrity and accountability, and
- improve coordination and alignment across early childhood programs.

FY2014 Appropriations

Discretionary Funding

On January 17, 2014, President Obama signed into law the Consolidated Appropriations Act, 2014 (H.R. 3547, P.L. 113-76), which provided $2.360 billion in discretionary CCDBG funding for FY2014. The final operating level for FY2014 was later reduced to $2.358 billion as a result of HHS transfers. The final discretionary operating level for FY2014 represents an increase of roughly $153 million (+7%) from the FY2013 post-sequester funding level of $2.206 billion. The FY2014 appropriations law retained set-asides within the CCDBG for certain quality activities, including activities to improve the quality of care for infants and toddlers. The law also reserved nearly $1 million for a competitive grant to operate a national toll-free hotline and website designed to provide consumer education and support to parents looking for child care in their communities. Funding for such a hotline has been provided (in one form or another) in every year since FY2000, with the exception of FY2011.

Prior to the enactment of P.L. 113-76, prorated FY2014 funding for the discretionary CCDBG was provided by two short-term continuing resolutions (P.L. 113-46 and P.L. 113-73). Notably, however, Congress did not enact an FY2014 continuing resolution (CR) prior to the start of the fiscal year on October 1, 2013. This resulted in a funding gap and shutdown of the federal government that lasted until the first CR was signed into law on October 17, 2013. Anticipating the possibility of a funding gap, the Acting Assistant Secretary for Children and Families at HHS released a letter to state child care officials, clarifying that unspent CCDF funds from prior years would remain available for expenditure in accordance with existing obligation and liquidation timeframes.[27] The letter also indicated that state matching and maintenance-of-effort funds spent on child care during a potential funding gap would likely count toward CCDF requirements once an FY2014 appropriation was provided, unless specified otherwise by Congress.

[26] See Table 28-1 of the *Analytical Perspectives* volume of the *FY2015 Budget of the U.S. Government*, by the Office of Management and Budget, March 2014, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/28_1.pdf#page=35.

[27] Letter from George H. Sheldon, HHS Acting Assistant Secretary for Children and Families, to TANF and Child Care Officials, September 30, 2013, https://www.acf.hhs.gov/sites/default/files/occ/signed_tanf_ccdf_letter.pdf.

Before the start of the fiscal year, the Senate Appropriations Committee approved an FY2014 appropriations bill (S. 1284, S.Rept. 113-71) for the Departments of Labor, HHS, Education, and Related Agencies (L-HHS-ED) on July 11, 2013. The L-HHS-ED bill provides annual discretionary funding for the CCDBG. The Senate Committee-reported bill proposed $2.500 billion in discretionary CCDBG funds for FY2014. The House Appropriations Committee did not take action on an FY2014 L-HHS-ED appropriations bill prior to the start of the fiscal year.

Mandatory Funding

Like discretionary CCDBG funding, mandatory child care funds were also subject to a funding gap at the beginning of FY2014. However, subsequent CRs (P.L. 113-46 and P.L. 113-73) and the full-year consolidated appropriations act (P.L. 113-76) ultimately extended mandatory child care funding at $2.917 billion through September 30, 2014.

FY2013 Appropriations

Discretionary Funding

According to HHS, the FY2013 operating level for the discretionary CCDBG was $2.206 billion.[28] This amount was $73 million less than the FY2012 funding level of $2.278 billion. The FY2013 operating level reflected amounts provided in the final FY2013 appropriations law (P.L. 113-6), an across-the-board rescission of 0.2% required by Section 3004 of the final FY2013 appropriations law (as interpreted by the Office of Management and Budget (OMB)), reductions required by the sequestration ordered on March 1, and any transfers or reprogramming of funds pursuant to the authority of the HHS Secretary.[29]

"Sequestration" is an automatic across-the-board spending reduction process under which budgetary resources are permanently canceled to enforce budget policy goals. Under the Budget Control Act of 2011 (P.L. 112-25), OMB was directed to implement a sequestration of FY2013 funding to enforce certain deficit reduction goals. The sequestration was originally scheduled to occur on January 2, 2013, but was postponed by the American Taxpayer Relief Act (P.L. 112-240). OMB ultimately issued the sequester order on March 1.[30]

Before the passage of the first CR, both the House and Senate had initiated the FY2013 L-HHS-ED appropriations process. On July 18, 2012, the House Appropriations L-HHS-ED Subcommittee approved a bill for full committee consideration. As passed by the subcommittee, the bill would have provided $2.303 billion in discretionary CCDBG in FY2013.[31] However, the bill was not taken up by the full committee. Meanwhile, on June 14, 2012, prior to action in the House, the Senate Appropriations Committee reported a bill to provide full-year FY2013 L-HHS-ED appropriations (S. 3295, S.Rept. 112-176). This bill would have provided $2.438 billion in discretionary CCDBG funds for FY2013. The Senate Appropriations Committee-reported bill

[28] U.S. Department of Health and Human Services, Administration for Children and Families, *ACF All-Purpose Table*, FY2012-FY2013, May 20, 2013, p. 1, https://www.acf.hhs.gov/sites/default/files/olab/fy2013apt.pdf.

[29] Note that Congress did not pass a full-year L-HHS-ED appropriation prior to the start of FY2013. Instead, the full-year bill (P.L. 113-6) was signed into law on March 26, 2013, following a six-month government-wide CR for FY2013 (P.L. 112-175).

[30] OMB Report to the Congress on the Joint Committee Sequestration for FY2013: http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/fy13ombjcsequestrationreport.pdf.

[31] Press releases and a draft of the bill released by the subcommittee prior to markup can be found on the House Appropriations Committee website: http://appropriations.house.gov/subcommittees/subcommittee/?IssueID=34777.

included a new reservation of $90 million for activities to improve the quality of the early childhood care and education workforce.

Mandatory Funding

For FY2013, the authorization and appropriations for mandatory child care were extended via two temporary extensions: P.L. 112-175 extended funding through March 27, 2013, and P.L. 113-6 extended funding through September 30, 2013. Both extensions maintained mandatory child care funding at $2.917 billion, the same amount the program has received annually since FY2006. Unlike discretionary CCDBG funds, mandatory child care funds are exempt from sequestration.

American Recovery and Reinvestment Act

In FY2009, in addition to $2.127 billion in discretionary CCDBG funds provided by the FY2009 Omnibus Appropriations Act (P.L. 111-8), the CCDBG received a further $2.0 billion in discretionary funds from the American Recovery and Reinvestment Act of 2009 (ARRA, P.L. 111-5). The ARRA was signed into law by President Obama on February 17, 2009. The ARRA specified that the CCDBG funds should be used to supplement, not supplant, state general revenue spending on child care assistance for low-income families. The ARRA also specified that a sum of approximately $255 million be reserved, out of the total appropriated to CCDBG, for activities designed to (1) provide comprehensive consumer education to parents and the public, (2) increase parental choice, and (3) improve quality and availability of child care (such as resource and referral services). This sum augmented the amount that states were already required by law to use for such activities (not less than 4% of the total amount received by each state). Of the $255 million, nearly $94 million was reserved for activities designed to improve the quality of infant and toddler care.

CCDF funding appropriated in the ARRA was made available for obligation by HHS through the end of FY2010. However, HHS opted to provide states with their full allocations in FY2009, nearly doubling discretionary CCDF allotments to states for that fiscal year. (The **Appendix** includes state-by-state funding allocations from both the FY2009 Omnibus and the ARRA in **Table A-1**.) CCDF grantees were required to obligate, or commit, their ARRA funds by the end of FY2010 (September 30, 2010), but had until the end of FY2011 (September 30, 2011) to expend their ARRA awards. HHS reported that states and territories had spent roughly 95% of their ARRA allocations as of June 30, 2011.[32]

States reported spending the majority of CCDF ARRA funding on direct services (roughly 81% as of June 2011). For instance, states used these funds to lower parental co-payments, increase payment rates to child care providers, expand income eligibility thresholds, and add or extend eligibility to parents searching for jobs. Some states also reported using ARRA funds to avoid, shorten, or eliminate waiting lists for eligible children. According to HHS, cumulative state spending on direct services for children (using ARRA funds) was sufficient to provide services for an estimated 336,000 children.[33] (This estimate includes both children who were already receiving subsidies—but who may have lost their subsidies in the absence of ARRA—and new children who were added to the caseload with ARRA funds.) In addition to spending on direct services, states used ARRA funds to expand investments in quality activities. For instance, states

[32] U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF), Office of Child Care (OCC), ARRA CCDF Data and Summary, June 30, 2011.

[33] Ibid.

used ARRA funds to create or expand Quality Rating and Improvement Systems, support programs targeted to infants and toddlers, and improve state and local health and safety standards.

Additional Funding History

Beginning in FY1997, the treatment of CCDBG funding in the appropriations process was changed to reflect states' actual obligation of money for the program. Prior to FY1997, the funds appropriated for the CCDBG only became available for obligation by the states in the last month of the year in which they were appropriated. As a result, most of a given year's appropriation was actually obligated during the next fiscal year. With the enactment of the FY1997 appropriations law, that practice was changed so that the CCDBG was officially advance funded by an entire year. In other words, the FY1997 appropriation became available for obligation at the beginning of FY1998 (rather than the end of FY1997). As a result of this change, only $19 million was appropriated in FY1997 specifically for FY1997; this amount was added to funds previously appropriated and available for obligation at the end of FY1996. The bulk of the FY1997 appropriation—$937 million—was to become available in FY1998. This practice of advance funding continued in FY1999-FY2001, and is shown in **Table 1**, which displays discretionary and mandatory funds appropriated to the CCDF for FY1997-FY2014.

Table 1. Funding Trends in the CCDF, FY1997-FY2014

(dollars in millions)

	Discretionary Funding				
Fiscal Year	Advance Appropriation from Prior Year	Same Year's Appropriation	All Available Funds for FY	Mandatory Funding	Total
1997	0[a]	19[a]	19[a]	1,967	**1,986**[a]
1998	937	66	1,002	2,067	**3,069**
1999	1,000	0	1,000	2,167	**3,167**
2000	1,183	0	1,183	2,367	**3,550**
2001	1,183	817	2,000	2,567	**4,567**
2002	0	2,100	2,100	2,717	**4,817**
2003	0	2,086[b]	2,086[b]	2,717[c]	**4,803**[b]
2004	0	2,087[d]	2,087[d]	2,717[e]	**4,804**[d]
2005	0	2,083[f]	2,083[f]	2,717[g]	**4,800**[f]
2006	0	2,062[h]	2,062[h]	2,917[i]	**4,979**
2007	0	2,062[j]	2,062[j]	2,917[i]	**4,979**
2008	0	2,062[k]	2,062[k]	2,917[i]	**4,979**
2009	0	2,127[l]	2,127 + 2,000[l]	2,917[i]	**7,044**[m]
2010	0	2,127	2,127	2,917[i]	**5,044**
2011	0	2,223[n]	2,223[n]	2,917[o]	**5,140**
2012	0	2,278[p]	2,278[p]	2,917[o]	**5,195**
2013	0	2,206[q]	2,206[q]	2,917	**5,123**
2014	0	2,358[r]	2,358[r]	2,917	**5,275**

Source: Prepared by the Congressional Research Service (CRS) using annual U.S. Department of Health and Human Services, Administration for Children and Families budget justifications and appropriations legislation for relevant years. One exception is that FY2013 discretionary amounts are from the FY2013 CCDF allocation table released by the Office of Child Care, as these amounts reflect the FY2013 sequester and across-the-board rescission required by Section 3004 of P.L. 113-6, as interpreted by the Office of Management and Budget.

a. What appears in the table to be limited discretionary CCDBG funding in FY1997, and consequently, in total funding, actually reflects a shift to advance appropriating of funds for the following fiscal year. The FY1997 appropriation law provided $956 million for CCDBG, with only $19 million available immediately during FY1997, and the remainder available on October 1, 1997 (the first day of FY1998). In earlier years the funds appropriated for CCDBG became available for obligation only in the last month of the given fiscal year, and therefore most of the appropriation for a given year ($935 million in FY1996) was actually obligated in the following fiscal year.

b. The figure shown reflects the 0.65% "across-the-board" cut included in the Consolidated Appropriations Resolution, 2003 (P.L. 108-7).

c. P.L. 108-40 extended mandatory funding for the CCDF through the final quarter of FY2003, at the FY2002 rate.

d. The figure shown reflects the 0.59% "across-the-board" cut included in the Consolidated Appropriations Act, 2004 (P.L. 108-199).

e. P.L. 108-262 extended mandatory funding for the CCDF through September 30, 2004, at the FY2002 rate (which was also maintained during FY2003).

f. The figure shown reflects the 0.8% "across-the-board" cut included in the Consolidated Appropriations Act, 2005 (P.L. 108-447).

g. P.L. 108-308 extended (and maintained) mandatory funding for the CCDF through March 31, 2005, at the FY2002 rate. P.L. 109-19 extended (and maintained) the funding through September 30, 2005.

h. The figure shown reflects the 1% "across-the-board" cut included in the FY2006 Defense Appropriations Act (P.L. 109-148) that applies to discretionary programs funded by P.L. 109-149. Prior to the rescission, funding was set at $2.083 billion. In FY2006, the Secretary of HHS invoked his authority (per Section 2008 of the L-HHS-ED and Related Agencies Appropriation Act of 2006) to transfer a portion of the CCDBG appropriation—$1.417 million—to the Centers for Medicare and Medicaid. This transfer is not reflected above; when including it, total FY2006 discretionary CCDBG funding would round to $2.061 billion.

i. The Deficit Reduction Act (S. 1932/P.L. 109-171), provides $2.917 billion in mandatory CCDF funding for each of FY2006-FY2010.

j. FY2007 funding was provided via four continuing resolutions, the last of which was P.L. 110-5.

k. This amount reflects the 1.747% across-the-board cut included in the Consolidated Appropriations Act of 2008 (P.L. 110-161).

l. In addition to the $2.127 billion appropriated in the FY2009 Omnibus Appropriations Act (P.L. 111-8), the American Recovery and Reinvestment Act of 2009 (ARRA, P.L. 111-5) provided an additional $2.0 billion in discretionary funding for the CCDBG.

m. This amount includes the $2.0 billion in supplemental funds appropriated by ARRA.

n. This amount reflects the 0.2% across-the-board cut included in the final FY2011 CR (P.L. 112-10).

o. During FY2011 and FY2012, mandatory child care funds were provided by a series of temporary extensions (P.L. 111-242, P.L. 111-290, and P.L. 111-291 provided funds for FY2011; P.L. 112-35, P.L. 112-78, and P.L. 112-96 provided funds for FY2012).

p. This amount reflects the 0.189% across-the-board cut included in the FY2012 Consolidated Appropriations Act (P.L. 112-74).

q. This amount reflects amounts appropriated by P.L. 113-6, a rescission of 0.2%, budget sequestration, and any potential transfers or reprogramming pursuant to the Secretary's authorities.

r. This amount reflects a transfer of $1.754 million out of this account pursuant to the Secretary's authorities.

Allocation of Funds

Discretionary Funds

Discretionary CCDBG funds are allocated among states according to a formula that is based on each state's share of children under age five, the state's share of children receiving free or reduced-price lunches, and state per capita income. Statute requires that 0.5% of appropriated funds be reserved for the territories, and between 1% and 2% be reserved for payments to Indian tribes and tribal organizations. In addition, regulations allow HHS to reserve up to 0.25% for the provision of technical assistance. States are not required to match these discretionary funds.[34] Funds must be obligated in the year they are received or in the subsequent fiscal year, and the law authorizes the Secretary to reallocate unused funds. **Table 2** displays the FY2014 discretionary CCDBG allocations.

Mandatory Funds

Federal law requires the Secretary of HHS to reserve between 1% and 2% of mandatory funds for payments to Indian tribes and tribal organizations. In addition, federal regulations allow HHS to reserve up to 0.25% for the provision of technical assistance. Once these amounts have been reserved, the remaining mandatory funds are allocated to states in two components.

First, each state receives a fixed amount each year, equal to the funding received by the state under the child care programs previously authorized under AFDC in FY1994 or FY1995, or the average of FY1992-FY1994, whichever is greater. This amount equals $1.2 billion each year, and is sometimes referred to as "guaranteed mandatory" funds. No state match is required for these funds, which may remain available for expenditure by states with no fiscal year limitation.

Second, remaining mandatory funds (after distribution of the "guaranteed" portion) are allocated to states according to each state's share of children under age 13. States must meet maintenance-of-effort and matching requirements to receive these funds. Specifically, states must spend all of their "guaranteed" federal entitlement funds for child care described above, plus 100% of the amount they spent of their own state funds in FY1994 or FY1995, whichever is higher, under the previous AFDC-related child care programs. Further, states must provide matching funds at the Medicaid matching rate to receive these additional entitlement funds for child care. If the Secretary determines that a state will not spend its entire allotment for a given fiscal year, then the unused amounts may be redistributed among other states according to those states' shares of children under age 13. **Table 2** displays the FY2014 CCDF allocations for both the "guaranteed" mandatory and the federal share of mandatory matching.

Table 2. FY2014 CCDF Allocations

(amounts in dollars)

Recipient (State, Territory, Tribe, Other)	"Guaranteed" Mandatory Funds	Federal Share of Mandatory Matching Funds	Discretionary CCDF Funds (P.L. 112-74)	Total Federal-Only Funds
Alabama	16,441,707	25,455,355	43,896,764	86,057,952
Alaska	3,544,811	4,331,328	4,534,812	12,410,951
Arizona	19,827,025	37,085,478	57,681,808	114,981,409

[34] 45 C.F.R. §98.60(b)(1).

Recipient (State, Territory, Tribe, Other)	"Guaranteed" Mandatory Funds	Federal Share of Mandatory Matching Funds	Discretionary CCDF Funds (P.L. 112-74)	Total Federal-Only Funds
Arkansas	5,300,283	16,264,420	28,991,133	50,724,887
California	85,593,217	208,999,664	259,203,894	555,964,829
Colorado	10,173,800	28,487,594	29,483,946	68,441,204
Connecticut	18,738,357	17,416,235	15,341,372	51,679,386
Delaware	5,179,330	4,670,259	6,083,225	15,981,044
Dist. of Columbia	4,566,974	2,632,652	3,416,685	10,616,311
Florida	43,026,524	89,996,027	130,624,867	264,578,926
Georgia	36,548,223	57,032,015	96,143,321	189,723,559
Hawaii	4,971,633	7,036,636	8,142,387	20,223,674
Idaho	2,867,578	9,829,984	14,734,023	27,431,585
Illinois	56,873,824	69,117,129	81,265,002	207,980,911
Indiana	26,181,999	36,083,406	54,621,935	117,263,779
Iowa	8,507,792	16,483,842	21,002,729	46,165,856
Kansas	9,811,721	16,694,115	22,103,008	48,608,844
Kentucky	16,701,653	23,265,535	41,384,694	81,594,039
Louisiana	13,864,552	25,710,392	42,199,233	82,041,074
Maine	3,018,598	5,872,411	7,629,066	16,520,075
Maryland	23,301,407	30,393,568	28,663,175	82,673,746
Massachusetts	44,973,373	31,206,420	28,735,558	105,239,982
Michigan	32,081,922	50,256,432	73,209,109	155,547,463
Minnesota	23,367,543	29,169,446	31,481,320	84,321,114
Mississippi	6,293,116	17,034,945	33,990,145	57,496,236
Missouri	24,668,568	31,859,810	44,347,569	101,208,719
Montana	3,190,691	5,052,847	6,782,112	15,078,085
Nebraska	10,594,637	10,765,068	13,867,005	35,226,710
Nevada	2,580,422	15,159,364	19,729,900	37,627,835
New Hampshire	4,581,870	5,975,774	5,341,474	15,962,395
New Jersey	26,374,178	45,367,352	42,557,003	114,773,554
New Mexico	8,307,587	11,828,240	20,395,864	40,531,691
New York	101,983,998	95,901,489	104,725,536	303,608,294
North Carolina	69,639,228	52,382,175	78,772,515	201,339,346
North Dakota	2,506,022	3,590,308	4,049,204	10,181,648
Ohio	70,124,656	59,794,022	81,298,903	211,845,893
Oklahoma	24,909,979	21,624,002	34,531,407	81,290,289
Oregon	19,408,790	19,498,955	26,691,160	65,802,602
Pennsylvania	55,336,804	61,175,390	70,223,262	187,373,840

Recipient (State, Territory, Tribe, Other)	"Guaranteed" Mandatory Funds	Federal Share of Mandatory Matching Funds	Discretionary CCDF Funds (P.L. 112-74)	Total Federal-Only Funds
Rhode Island	6,633,774	4,791,478	5,616,835	17,042,087
South Carolina	9,867,439	24,745,898	42,879,850	77,493,187
South Dakota	1,710,801	4,740,097	6,017,127	12,516,938
Tennessee	37,702,188	33,960,069	54,140,984	126,155,648
Texas	59,844,129	161,207,463	252,113,181	474,835,815
Utah	12,591,564	20,947,311	28,677,789	62,216,664
Vermont	3,944,887	2,713,380	3,184,425	9,871,288
Virginia	21,328,766	42,414,226	44,974,774	108,717,766
Washington	41,883,444	36,198,768	40,516,455	118,973,298
West Virginia	8,727,005	8,678,169	14,481,077	31,976,374
Wisconsin	24,511,351	29,802,828	36,874,680	91,499,980
Wyoming	2,815,041	3,142,948	3,054,454	9,045,008
America Samoa	—	—	3,086,735	3,086,735
Guam	—	—	4,447,774	4,447,774
N. Mariana Islands	—	—	1,930,947	1,930,947
Puerto Rico	—	—	32,091,244	32,091,244
Virgin Islands	—	—	2,334,544	2,334,544
Tribes	58,340,000	—	47,200,000	105,540,000
Technical Assistance	3,097,405	4,195,095	5,900,000	13,192,500
Research & Evaluation	—	—	9,851,000	9,851,000
Child Care Hotline	—	—	996,000	996,000
Total	**1,238,962,186**	**1,678,037,814**	**2,358,246,000**	**5,289,934,534**

Source: Data are from the U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF), Office of Child Care (OCC), as published on the OCC website in August 2014. In estimating allocations, HHS used data from the following sources: population under age 5 and population under age 13 from the Census Bureau published in summer 2013; FY2012 participants in the Free and Reduced School Lunch Program from the Department of Agriculture; and per capita personal income for 2008, 2009, and 2010 from the Department of Commerce published in April 2012.

Notes: Allocations do not include re-allotments of prior year funds. Discretionary allocations were made after HHS transferred $1.754 million out of the CCDBG account, pursuant to authorities of the HHS Secretary.

Transfer of Funds from TANF

In addition to amounts provided to states specifically for CCDF, states may also transfer up to 30% of their TANF block grant allotment to the CCDF. Transferred funds must be spent according to the CCDBG Act rules. The net transfer from the FY2013 TANF allotment to the CCDF totaled nearly $1.4 billion (representing roughly 8% of the FY2013 TANF allotment).[35]

[35] FY2013 TANF financial data are available http://www.acf.hhs.gov/programs/ofa/resource/tanf-financial-data-fy-2013.

Nothing precludes a state from using TANF funds for child care services without formally transferring them to the CCDF, in which case the CCDBG Act rules do not necessarily apply. HHS has reported that in FY2013, states spent about $1.1 billion in federal TANF money on child care within the TANF program. (In addition, states reported spending $2.5 billion in FY2013 on child care through state TANF and separate state program (SSP) MOE funds.)

Federal Enforcement

The Secretary must coordinate child care activities within HHS, and, to the extent practicable, with similar activities in other federal agencies. The Secretary is also required to publish a list of child care standards every three years, and to provide technical assistance to states. The Secretary must monitor state compliance with the statute and state plans, and must establish procedures for receiving and assessing complaints against a state.

Upon finding that a state is out of compliance with either the statute, regulation, or state plan, the Secretary is authorized to require that the state reimburse the federal government for any misspent funds, or to withhold the amount from the state's CCDF allotment for the next fiscal year, or to take a combination of these steps.

States also must arrange for independent audits of their programs, and must repay the federal government for any funds that are found to have been misspent, or the Secretary may offset these amounts against future payments due to the state. In addition, states are now required to complete a case review every three years to check for improperly authorized payments. This new mandate is tied to "State Error Rate Reporting" requirements added to CCDF regulations in 2007.

Program Integrity and Accountability

In September 2010, the Government Accountability Office (GAO) released a report on fraud in five state child care assistance programs. GAO investigators posing as parents and child care providers successfully billed for $11,702 in child care assistance for fictitious children. In addition, GAO examined closed case studies of fraud and abuse and interviewed parents waitlisted for child care assistance. GAO concluded that the five states under investigation lacked controls over billing and child care assistance processes when dealing with unregulated providers, leaving the programs vulnerable to fraud and abuse. However, GAO also noted that these results cannot be generalized beyond the five states included in the investigation or beyond unregulated child care providers. According to HHS administrative data, unregulated child care providers constituted roughly 19% of all providers receiving CCDF support in FY2010.[36]

In August 2010, prior to the release of the GAO report, HHS issued guidance regarding program integrity and financial accountability under CCDF.[37] The program instruction provided state lead agencies with recommendations and resources for strengthening program integrity. It covered topics such as the verification and documentation of child and family eligibility, mechanisms for monitoring child care providers, and processes for recovering payments resulting from fraud. The program instruction also highlighted state responsibilities in conducting case records reviews to

[36] See Table 4 of the final FY2010 CCDF data tables, available online at http://www.acf.hhs.gov/programs/occ/resource/ccdf-statistics.

[37] U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, Child Care Bureau, Program Instruction CCDF-ACF-PI-2010-06, August 26, 2010, http://www.acf.hhs.gov/programs/occ/law/guidance/current/pi2010-06/pi2010-06.htm.

detect and reduce errors associated with eligibility determination, pursuant to the new regulation on state error rate reporting issued by HHS in September 2007.

State Error Rate Reporting

Following the enactment of the Improper Payment Information Act of 2002 (P.L. 107-300), the Office of Management and Budget (OMB) identified CCDF as a program at risk of significant improper payments.[38] As with other "high risk" programs, HHS was required to complete erroneous payment risk assessments for CCDF every three years. HHS took a number of steps to respond to this mandate, culminating in the publication of new regulations, effective October 1, 2007, on state requirements for error rate reporting.[39]

The new regulations specify that states must calculate, prepare, and submit to HHS a report of errors occurring in the administration of CCDF grant funds. In this report, states must establish target error rates (i.e., goals for reducing future errors) and discuss strategies for reducing error rates. In addition, states must report on

- state error rates (defined as the percentage of cases with an error and expressed as the total number of cases with an error compared to the total number of cases);
- percentage of cases with an improper payment (expressed as the total number of cases with an improper payment compared to the total number of cases);
- percentage of improper payments (expressed as the total amount of improper payments in the sample compared to the total dollar amount of payments made in the sample);
- average amount of improper payment; and
- estimated annual amount of improper payments.

Error Rate Methodology and Recent Findings

The CCDF error rate methodology requires that states conduct a comprehensive review of a random sample of case records to determine whether child care subsidies were properly authorized to eligible families. The methodology focuses on administrative errors and improper authorizations for payment made during the client eligibility determination process.[40] States must conduct these reviews and report their findings to HHS once per every three-year reporting cycle. States are required to provide federal staff with access to, and the opportunity to participate and provide oversight in, case reviews and calculations of error rates.

HHS uses a three-year rotation for measuring CCDF improper authorizations for payments. A stratified random sampling method was used for selecting states, with approximately one-third of the total of 52 states (50 states plus the District of Columbia and Puerto Rico) selected to participate in each year of a three-year cycle.

[38] OMB Circular A-123, Appendix C,http://www.whitehouse.gov/omb/circulars_default. Beginning with FY2010 reporting, rather than listing high priority programs in Appendix C itself, OMB stipulated that it would conduct an annual re-evaluation of the high priority program list and notify agencies if any programs should be added or removed from the high priority list for reporting purposes.

[39] The new regulation was codified at 45 C.F.R. 98 (subpart K). CCDF regulations are available online at http://www.gpo.gov/fdsys/pkg/CFR-2011-title45-vol1/pdf/CFR-2011-title45-vol1-part98.pdf.

[40] The CCDF methodology distinguishes between authorizations for payment and actual payments made to providers for child care services rendered.

CCDF error rate data are released annually by HHS in the department's *Agency Financial Reports*.[41] Annual error rates actually represent three-year weighted national averages comprised of both over- and under-authorizations for payment. Most recently, HHS reported an FY2013 error rate of 5.9% ($306 million), down from 9.2% ($474 million) for FY2012.[42] When netting out over- and under-payments, the net error rate for FY2013 was 5.0% ($260 million). Notably, the amount of improper *authorizations* for payment is not the same as actual improper payments *rendered*. HHS has indicated that, in general, the amount of actual improper payments rendered is about 17% lower, on average, than improper authorizations.

What Happens When Erroneous Payments Are Uncovered?

Regulations state that improper payments identified during the case reviews are subject to federal disallowance procedures for misspent funds (that is, funds identified as having been improperly spent will be disallowed for the purposes of federal reimbursement).[43] Improperly spent funds are subject to disallowance regardless of whether the state pursues recovery of such funds. Federal rules require states to recover improper child care payments that occur as the result of fraud. However, if the improper payment was not the result of fraud, as in cases of administrative error, federal rules give states discretion as to whether or not to recover misspent funds. Recovered funds may be used for activities specified in approved state plans, provided funds are recovered within the applicable obligation period. If, however, funds are not recovered until after the end of the applicable obligation period, recoveries must be returned to the federal government.[44]

2007 Final Rule on State Match Requirements

In 2007, HHS published a final rule (effective October 1, 2007) that revised existing CCDF regulations on state match requirements. The purpose of the new rule was to increase state flexibility in making expenditures toward state CCDF match requirements. To this end, the rule amended requirements related to the use of public pre-kindergarten and privately donated funds.

First, the final rule increased the amount of public pre-kindergarten expenditures that may be used as state match for CCDF. Previous regulations allowed that no more than 20% of a state's match requirement be fulfilled by public pre-kindergarten expenditures. Under the final rule, up to 30% of a state's CCDF match may come from public pre-kindergarten expenditures.

Second, the rule amended requirements related to the use of privately donated funds. Prior to the new rule, CCDF regulations specified that privately donated funds would only qualify as state match for CCDF if they had been transferred to (or were under the control of) the state's lead agency or a *single* entity designated by the state to receive donated funds. The new rule amended previous regulations to permit states to designate multiple public and/or private entities as eligible to receive donated funds. However, the rule required that donated funds be certified by both (1)

[41] *HHS Agency Financial Reports* can be found at http://www.hhs.gov/afr/.

[42] FY2013 Agency Financial Report, December 16, 2013, pp. 161-164 and pp. 182-185, http://www.hhs.gov/afr/2013-hhs-agency-financial-report.pdf. Note that the FY2012 error rate specified above reflects corrections to the originally reported error rate, which erroneously overstated the improper payments estimate due to incorrect data for a small number of states. The actual amount of improper authorizations for CCDF payments identified during this three-year review cycle (bearing in mind only a sample of case records are reviewed in each state) was $505,094. This amount includes $155,883 for Year One States, $146,914 for Year Two States, and $202,297 for Year Three States.

[43] HHS regulations specify, however, that extrapolations of estimated improper payments derived from random sampling of total cases are not subject to disallowance.

[44] For more information on CCDF obligation and expenditure rules, see CRS Report RL31274, *Child Care: Funding and Spending under Federal Block Grants*, by Melinda Gish.

the state's lead agency for CCDF and (2) either the donor or the entity designated by the state to receive privately donated funds, as appropriate. In addition, the final rule maintained previous requirements related to private donations, which specify that such funds (1) must be donated without any restriction that would require their use for a specific individual, organization, facility, or institution; (2) may not revert to the donor's facility or use; (3) may not be used to match other federal funds; and (4) shall be subject to audit.

Data Collection

Federal law specifies a set of data reporting requirements for states and territories administering CCDF programs. States and territories must submit quarterly reports to HHS with disaggregated data on children and families receiving CCDF assistance; aggregated data must be submitted to HHS annually. Federal law does not impose the same data reporting requirements on tribes and tribal organizations. However, federal regulations do require participating tribal lead agencies to submit aggregated data to HHS on an annual basis. Separately, the law also requires the Secretary of HHS to submit a report to Congress once every two years. This report is expected to contain a summary and analysis of the data submitted to HHS by lead agencies (including tribal lead agencies), as well as recommendations for Congress concerning efforts that should be undertaken to improve the access of the public to quality and affordable child care. The most recently released report to Congress is for both FY2006 and FY2007.[45] Select program data and statistics for states and territories are available for FY1998 through FY2010 (preliminary) on the HHS website.[46]

Federal law specifically requires states and territories to collect, on a monthly basis, the following information on each family unit receiving assistance: family income; county of residence; gender, race, and age of children receiving assistance; whether the family includes only one parent; sources of family income, separately identified and including amounts; number of months the family has received benefits; the type of child care received; whether the child care provider was a relative; the cost of child care; and the average hours per week of care. States and territories report these disaggregated data to HHS on a monthly or quarterly basis (at grantee option), using the ACF-801 data collection form.

HHS recently revised the ACF-801 to incorporate new data elements on child care providers, including unique provider identification numbers, quality rating scores, accreditation status, applicability of state or local pre-kindergarten standards, and other state quality measures. The revised data collection form was released for two rounds of public comments in 2011, before being finalized in spring 2012.[47] The new form became mandatory for all states and territories beginning in October 2013.

Separately, federal law requires states and territories to submit aggregated data to HHS every 12 months. The law requires these aggregated data reports to include the number of child care providers that receive funding under this program, separately identified by type; the monthly cost of child care services, and the portion that is subsidized by this program, identified by type of

[45] Annual reports to Congress are available at http://www.acf.hhs.gov/programs/occ/resource/reports-to-congress.

[46] Select program data and statistics are available at http://www.acf.hhs.gov/programs/occ/resource/ccdf-statistics.

[47] For the two notices soliciting public comment, see HHS Administration for Children and Families, "Child Care Quarterly Case Record Report—ACF-801," 76 *Federal Register* 44934, July 27, 2011, and HHS Administration for Children and Families, "Child Care Quarterly Case Record Report—ACF-801," 76 *Federal Register* 78282-78283, December 16, 2011. A copy of the new ACF-801 form, along with related instructions and other resources, is available online at http://www.acf.hhs.gov/programs/occ/resource/acf-801-reporting-for-states-and-territories.

care; the number of payments made by the state through vouchers, contracts, cash, and disregards under public benefit programs, identified by type of child care provided; the manner in which consumer education information was provided and the number of parents to whom it was provided; and the total unduplicated number of children and families served by the program. States and territories submit these aggregated data to HHS annually on the ACF-800 form, which is due to HHS by December 31st each year.[48]

Religious Providers

Under the CCDBG Act, religious providers may receive assistance on the same basis as nonsectarian providers. However, religious providers may use funds for construction assistance, which is generally prohibited for other providers, to the extent such efforts are deemed necessary to bring facilities into compliance with health and safety requirements. Use of funds for religious activities, including sectarian worship or instruction, is generally prohibited under the CCDBG Act. However, this prohibition does not apply to funds received by child care providers in the form of child care certificates, if such sectarian child care services are freely chosen by the parent.

Child care providers that receive CCDF funding may not discriminate in their admissions policy against a child on the basis of religion, with the exceptions of family child care providers (i.e., individuals who are the sole caregiver for children in a private home) or providers who receive assistance through child care certificates. However, sectarian providers may reserve unsubsidized slots for children whose families regularly participate in their organization's activities, unless 80% or more of their operating budget comes from federal or state funds, including child care certificates.

In their employment practices, child care providers receiving assistance under the act may not discriminate on the basis of religion if the employee's primary responsibility is working directly with children in the delivery of child care services. However, in considering two or more qualified candidates, sectarian providers may select an individual who regularly participates in their organization's activities. In addition, sectarian organizations may require employees to adhere to their religious tenets or teachings and to rules forbidding the use of drugs or alcohol, unless 80% or more of their operating budget comes from federal or state funds, including child care certificates.

The welfare reform law of 1996 (P.L. 104-193) included a section on services provided by charitable, religious or private organizations under the TANF program.[49] This provision also applies to child care services funded under TANF. The provision, commonly referred to as "charitable choice," is intended to allow states to provide services through charitable and religious organizations, without impairing the religious character of these organizations or the religious freedom of individuals who participate in the programs.

Indian Tribes and Tribal Organizations

The Secretary is required by law to reserve between 1% and 2% of all child care funds (both discretionary and mandatory), for payments to Indian tribes and tribal organizations. The

[48] A copy of the current ACF-800, along with related instructions and other resources, is available online at http://www.acf.hhs.gov/programs/occ/resource/acf-800-annual-aggregate-child-care-data-report.

[49] For a discussion of this provision, see CRS Report RL32736, *Charitable Choice Rules and Faith-Based Organizations*, by Joe Richardson.

Secretary is required to allocate among other tribes and organizations any funds that an Indian tribe or tribal organization does not use in a manner consistent with the statute.

Indian tribes and tribal organizations are required to submit applications to receive these reserved funds. Applications must show that the organization seeking funds will coordinate with the lead agency in the state, that activities will benefit Indian children on reservations, and that reports and audits will be prepared. The Secretary, in consultation with the tribes and tribal organizations, bears the responsibility for developing minimum child care standards that reflect tribal needs and available resources that will apply in lieu of licensing and regulatory requirements otherwise applicable under state or local law.[50]

Notably, while the CCDBG Act generally prohibits use of funds for construction or renovation of facilities, the law does allow Indian tribes and tribal organizations to submit a request to the Secretary to use funds for these purposes. The Secretary may approve the request after a determination that adequate facilities are not otherwise available and that the lack of such facilities will inhibit the operation of child care programs in the future. The Secretary may not approve the request if it will reduce the level of child care services provided from the level provided by the tribe or organization in the previous year.

Quality Rating and Improvement Systems

A growing number of states use CCDF quality funds to create or support Quality Rating and Improvement Systems (QRIS).[51] These systems are designed to assess, report, and improve the quality of early childhood programs.[52] A QRIS can be used to rate providers against a set of measures selected to determine program quality. Data collected by a QRIS may be used to hold programs accountable for the quality of care they provide, to target technical assistance to programs in need of support, and to increase parental understanding of the quality of different child care programs. These systems often use simple three- or four-star rating scales to denote program quality on specific measures, such as child/staff ratios and staff credentials.

While the key components (and benchmarks) of quality measured by QRIS can vary across states, five common elements of these systems include the following:

- **Standards:** Research-based indicators of quality in early childhood settings (e.g., health and safety requirements, staff qualifications, staff-child ratios). Standards are often linked to licensing and accreditation requirements.
- **Accountability:** Regular inspections are usually completed by trained observers. Research-based assessments such as an Environment Rating Scale (ERS) and the Classroom Assessment Scoring System (CLASS) may be used.

[50] These standards were first introduced in 2000, but were updated in 2005 and reissued as "voluntary guidelines." A copy of these standards can be found online at http://www.acf.hhs.gov/sites/default/files/occ/ms.pdf.

[51] In March 2012, HHS reported that 25 states had a statewide QRIS with the five common elements discussed here. These states are Arkansas, Colorado, Delaware, the District of Columbia, Idaho, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Mississippi, Montana, New Hampshire, New Mexico, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, Tennessee, Vermont, and Wisconsin. For more information, see National Center on Child Care Quality Improvement, Office of Child Care, Administration for Children and Families, U.S. Department of Health and Human Services, *QRIS in Statutes and Regulations*, March 2012, http://www.qrisnetwork.org/sites/all/files/resources/gscobb/2012-04-02%2011:56/Report.pdf.

[52] For more information, see the Quality Rating & Improvement System Resource Guide on the HHS Administration for Children and Families (ACF) website at https://occqrisguide.icfwebservices.com/.

- **Program Support:** Providers may receive training, mentoring, or other forms of technical and financial assistance to encourage providers to participate in the rating system and to help their programs achieve higher levels of quality.
- **Parent Education:** Systems typically use simple rating scales (e.g., three- or four-star scales or a point-based scale) that are easily understood by parents seeking information on the quality of child care programs in their communities.
- **Incentives:** Financial incentives may be used to encourage providers to achieve higher levels of quality. These may include tiered subsidy reimbursement (i.e., paying a higher reimbursement rate to providers meeting higher standards of care), professional development grants to increase staff training and qualifications, and tax credits for parents who enroll children in rated programs.

Appendix. FY2009 CCDF Allocations (Including ARRA)

The American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5), appropriated $2.0 billion in discretionary child care funds in FY2009. Although the ARRA made these funds available for obligation through the end of FY2010, HHS opted to provide states with their full allocations from the ARRA in FY2009, nearly doubling discretionary CCDF allotments to states for that fiscal year. **Table A-1** displays FY2009 CCDF allocations from all federal funding sources, including the funds allocated to states from the ARRA.

Table A-1. FY2009 CCDF Allocations

(amounts, in dollars, do not include potential re-allotments)

	Mandatory Funds		Discretionary Funds		
Recipient (State, Territory, Tribe, Other)	"Guaranteed" Mandatory	Federal Share Matching Funds	FY2009 Omnibus	ARRA	Total Federal
Alabama	16,441,707	25,408,245	40,699,663	38,470,990	121,020,605
Alaska	3,544,811	4,063,825	4,269,912	4,036,095	15,914,643
Arizona	19,827,025	38,843,917	53,824,247	50,876,886	163,372,075
Arkansas	5,300,283	16,012,812	26,589,798	25,133,767	73,036,660
California	85,593,217	211,811,933	233,034,605	220,273,864	750,713,619
Colorado	10,173,800	27,529,729	25,720,747	24,312,305	87,736,581
Connecticut	18,738,357	18,178,031	14,478,449	13,685,624	65,080,461
Delaware	5,179,330	4,655,334	4,809,076	4,545,736	19,189,476
District of Columbia	4,566,974	2,596,430	2,841,092	2,685,517	12,690,013
Florida	43,026,524	91,403,553	111,433,225	105,331,254	351,194,556
Georgia	36,548,223	58,395,506	87,646,485	82,847,053	265,437,267
Hawaii	4,971,633	6,473,217	6,822,298	6,448,715	24,715,863
Idaho	2,867,578	9,406,606	12,638,572	11,946,497	36,859,253
Illinois	56,873,824	72,660,972	78,046,369	73,772,628	281,353,793
Indiana	26,181,999	36,039,410	45,241,711	42,764,321	150,227,441
Iowa	8,507,792	15,992,058	19,170,605	18,120,842	61,791,297
Kansas	9,811,721	15,879,664	19,482,264	18,415,435	63,589,084
Kentucky	16,701,653	22,798,415	36,920,367	34,898,645	111,319,080
Louisiana	13,864,552	24,414,650	42,332,204	40,014,134	120,625,540
Maine	3,018,598	6,066,612	7,149,448	6,757,951	22,992,609
Maryland	23,301,407	30,454,015	25,433,096	24,040,405	103,228,923
Massachusetts	44,973,373	31,846,226	25,355,376	23,966,942	126,141,917
Michigan	32,081,922	54,088,623	62,080,653	58,681,179	206,932,377

Recipient (State, Territory, Tribe, Other)	Mandatory Funds		Discretionary Funds		
	"Guaranteed" Mandatory	Federal Share Matching Funds	FY2009 Omnibus	ARRA	Total Federal
Minnesota	23,367,543	28,427,578	27,609,193	26,097,341	105,501,655
Mississippi	6,293,116	17,475,750	32,778,293	30,983,387	87,530,546
Missouri	24,668,568	32,065,667	40,922,593	38,681,713	136,338,541
Montana	3,190,691	4,851,889	6,079,937	5,747,006	19,869,523
Nebraska	10,594,637	10,187,127	12,482,903	11,799,352	45,064,019
Nevada	2,580,422	15,305,948	15,144,641	14,315,336	47,346,347
New Hampshire	4,581,870	6,513,515	5,010,614	4,736,238	20,842,237
New Jersey	26,374,178	46,381,871	36,081,817	34,106,014	142,943,880
New Mexico	8,307,587	11,375,335	18,848,669	17,816,534	56,348,125
New York	101,983,998	98,195,618	102,392,553	96,785,640	399,357,809
North Carolina	69,639,228	50,968,578	71,455,992	67,543,134	259,606,932
North Dakota	2,506,022	3,180,045	3,854,955	3,643,862	13,184,884
Ohio	70,124,656	61,627,213	72,088,324	68,140,840	271,981,033
Oklahoma	24,909,979	20,598,914	31,905,779	30,158,651	107,573,323
Oregon	19,408,790	19,459,057	23,814,406	22,510,354	85,192,607
Pennsylvania	55,336,804	61,379,602	63,631,144	60,146,767	240,494,317
Rhode Island	6,633,774	5,136,805	5,526,768	5,224,128	22,521,475
South Carolina	9,867,439	23,947,853	38,420,103	36,316,257	108,551,652
South Dakota	1,710,801	4,446,971	5,776,337	5,460,031	17,394,140
Tennessee	37,702,188	33,464,276	44,361,712	41,932,510	157,460,686
Texas	59,844,129	154,440,610	227,298,219	214,851,599	656,434,557
Utah	12,591,564	19,457,466	23,661,260	22,365,594	78,075,884
Vermont	3,944,887	2,816,093	2,986,934	2,823,373	12,571,287
Virginia	21,328,766	41,548,889	40,086,857	37,891,741	140,856,253
Washington	41,883,444	34,566,445	35,283,281	33,351,204	145,084,374
West Virginia	8,727,005	8,682,904	13,803,056	13,047,215	44,260,180
Wisconsin	24,511,351	29,495,338	32,259,829	30,493,313	116,759,831
Wyoming	2,815,041	2,825,579	2,736,365	2,586,525	10,963,510
America Samoa	—	—	2,831,968	2,662,774	5,494,742
Guam	—	—	3,978,605	3,740,906	7,719,511
N. Mariana Islands	—	—	1,938,850	1,823,015	3,761,865
Puerto Rico	—	—	35,353,476	33,417,556	68,771,032
Virgin Islands	—	—	1,885,982	1,773,305	3,659,287

Tribes	58,340,000	—	42,541,620	40,000,000	140,881,620
Technical Assistance	3,792,100	3,500,400	5,317,703	5,000,000	17,610,203
Child Care Aware[a]	—	—	1,000,000	—	1,000,000
Research & Evaluation[b]	—	—	9,910,000	—	9,910,000
Total	1,239,656,881	1,677,343,119	2,127,081,000	2,000,000,000	7,044,081,000

Source: Prepared by the Congressional Research Service (CRS) based on data from the U.S. Department of Health and Human Services (HHS). In estimating allocations, HHS used data from the following sources: population under age 5 and population under age 13 from the Census Bureau, published July 2007; FY2007 participants in Free and Reduced School Lunch Program from the Department of Agriculture; and per capita income for 2004, 2005, and 2006 from the Department of Commerce, published March 2008.

a. The FY2009 Omnibus (P.L. 111-8) included a $1 million set-aside for Child Care Aware, specifying that this amount should come out of the $19 million targeted funds for resource and referral and school-age care activities.

b. The FY2009 Omnibus also included $9,910,000 for research, demonstration, and evaluation.

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